

UNITED STATES OF AMERICA

DEPARTMENT OF INTERIOR

--

TRANSCRIPT OF PROCEEDINGS

OF THE

NATIONAL PETROLEUM COUNCIL

Room 5164
Interior Building
Washington, D. C.
July 28, 1949

WATSON REPORTING COMPANY
805 G Street, N. W.
Washington, D. C.

Reviewer R. L. Green
Date 28 Aug 52

From the Files of the
National Petroleum Council

Record: Council Meetings (transcript)
Date of Record: 28 Jul 49
Report adopted at meeting of (Date) _____
Statement or Speech at meeting of (Date) _____

EXCERPTS "relative to exploration, production, refining, transportation marketing, or pricing of petroleum and its products outside the United States."

	<u>Exploration</u>	<u>Production</u>	<u>Refining</u>	<u>Trans.</u>	<u>Marketing</u>	<u>Pricing</u>
Pages	_____	_____	_____	_____	_____	_____
"	_____	_____	_____	_____	_____	_____
"	_____	_____	_____	_____	_____	_____
"	_____	_____	_____	_____	_____	_____
"	_____	_____	_____	_____	_____	_____
Pages	_____	_____	_____	_____	_____	_____
"	_____	_____	_____	_____	_____	_____
"	_____	_____	_____	_____	_____	_____
"	_____	_____	_____	_____	_____	_____
"	_____	_____	_____	_____	_____	_____

Other

Pages	<u>45-48</u>	<u>Exports & imports, Mr. McIntyre</u>	_____
"	<u>49-56</u>	<u>Questions and answers on foreign situation with Mr. Levy, E.C.A.</u>	_____
"	_____	_____	_____
"	_____	_____	_____
"	_____	_____	_____

Excerpts pertain solely to petroleum outside the United States - in the rest of the world - in any foreign country and abroad. Excerpts do not include any matter dealing with petroleum inside the United States.

UNITED STATES OF AMERICA
DEPARTMENT OF INTERIOR
TRANSCRIPT OF PROCEEDINGS
OF THE
NATIONAL PETROLEUM COUNCIL

Room 5164,
Interior Building
Washington, D. C.
July 28, 1949

PRESENT:

Walter S. Hallanan, Chairman
C. R. Musgrave (Alternate for E. S. Adams)
Hines H. Baker
Max W. Hall
Joseph B. Wells (Alternate for John P. Birmingham)
Jacob Blaustein
Rush M. Blodget
Reid Brazell
J. S. Bridwell
Bruce K. Brown
Russell B. Brown
H. S. M. Burns
D. T. Ring (Alternate for Stuart M. Crocker)
J. C. Donnell, II
Fayette B. Dow
J. Frank Drake
Gordon Duke
James P. Dunnigan
R. G. Follis
B. C. Graves
B. A. Hardey
Harry B. Hilts
Eugene Holman

A. Jacobsen
B. Brewster Jennings
Carl A. Johnson
William Keck, Jr.
John M. Lovejoy
W. G. Maguire
J. Howard Marshall
L. F. McCollum
Brown L. Meece
Joseph S. Morris
J. R. Parten
Rankin F. Peck
Joseph E. Pogue
Frank M. Porter
G. G. Johnson (Alternate for Walter R. Reitz)
M. H. Robineau
W. S. S. Rodgers
A. H. Rowan
Fred W. Shield
W. G. Skelly
Clarendon E. Streeter
M. L. Thatcher
W. W. Vandever
L. S. Wescoat
Robert E. Wilson
H. E. Zoller

TABLE OF CONTENTS

	Page
Roll Call	3
Presentation of Resolution in Memorian to Charles F. Reeser.	3
Approval of Minutes of April 27 Meeting.	5
Report of Secretary-Treasurer	6
Report of Committee on Petroleum Industry Manpower Survey	7
Report of Agenda Committee.	9
Statement of Admiral B. B. Riggs, Executive Officer, Armed Services Petroleum Board	11
Statement of Mr. Robert C. Turner, Chairman, Interagency Working Committee on Synthetic Rubber Legislation	16
Report of Military Petroleum Advisory Board	27
Statement of Colonel L. E. Cotulla, Executive Officer, Armed Services Petroleum Purchasing Agency	29
Address, "Impact of the Economic Recovery Program on the U. S. Oil Industry," by Mr. Walter Levy, Economic Cooperation Administration.	35
Statement of Honorable J. A. Krug	38
Statement of Mr. Francis McIntyre, Acting Director, Office of International Trade	44

P R O C E E D I N G S

CHAIRMAN HALLANAN: The Council will please come to order. The Secretary will call the roll.

(The roll was called, and those listed on the title page were present.)

CHAIRMAN HALLANAN: A quorum is present.

It is with a profound sense of regret and deep personal loss that I announce to the Council the passing of one of our very distinguished, beloved and devoted members of this Council. Mr. Charles F. Roeser passed away at his home in Fort Worth Texas. I would suggest at this time that we rise and remain standing a moment in tribute to our departed member.

(The members arose and observed a moment of silence.)

CHAIRMAN HALLANAN: I appointed a Committee on Memorial, and I now recognize Mr. Russell Brown to present the report of that committee.

MR. RUSSELL BROWN: Mr. Chairman, Mr. Hamon was chairman of the committee, and he asked that I present the report for him.

Charles F. Roeser, a member of the National Petroleum Council, departed this life on July 14, 1949, at Fort Worth, Texas. It is with great sadness that we record his severance from this group.

To the era of our country's greatest industrial progress,

Charles Roeser contributed the qualities of mind and heart that were needed to leaven materialism and impersonal efficiency. To him, progress in his chosen industry was best expressed in the betterment of human relationships and the use of the products of his industry for the greater ease and comfort of man.

His eyes were always fixed on goals of improvement of basic principles for the conduct of the petroleum industry. Sensitive to the merit of the smallest advocate, he would diligently search out the truthfulness of his position. Once convinced, he would pursue his cause with an unfailing interest and a stubborn determination that brushed aside any compromise which would sacrifice fundamental soundness. Measures of pure expediency were abhorrent to him whenever they tended to nullify the broader permanent gain.

In our vast industry of conflicting interests and different opinions, he has woven into the fabric of our industrial statesmanship a sustaining cord of integrity that has gone so far to maintain this body in its determination to be of ultimate service to our people and to our government.

He was early marked for leadership. Men in his own industry and in others sought his counsel. He gave liberally of his time, of his energy and of his means to the solution of problems of importance. Leaders in government solicited his help. As a member of the Petroleum Industry War Council,

he was of outstanding service in planning for the expansion of the supply of petroleum and its products and their transportation to the areas of military activity.

The majority of the members of the National Petroleum Council have served with Charles Roeser for eight years-- in this and the Petroleum Industry War Council. We have been greatly helped in our collective decisions by his always forthright judgment. In our individual actions, our lives have been enriched by the warmth of his friendship.

The National Petroleum Council, in meeting assembled in Washington, D. C., July 28, 1949, expresses its deep regret at the passing of Charles F. Roeser, our associate and our friend, and direct a copy of this statement to be given to Mrs. Maxine Roeser as evidence of our sympathy for her and for his daughters and for the other surviving members of his family.

CHAIRMAN HALLANAN: You have heard the resolution as presented by Mr. Brown. Mr. Brown moves its adoption.

(The motion was seconded.)

CHAIRMAN HALLANAN: It has been moved and seconded that the resolution be adopted. All in favor indicate by saying "aye"; contrary "no." The resolution is unanimously adopted.

Gentlemen, you have received copies of the minutes of the last meeting of the Council on April 27, 1949. What is

your pleasure?

(It was moved that the minutes be approved.)

CHAIRMAN HALLANAN: It has been moved that the minutes of the last meeting be approved. Is there a second?

(The motion was seconded.)

CHAIRMAN HALLANAN: All in favor indicate by saying "aye"; contrary "no." The minutes are approved.

Mr. Brown will present the report of the Secretary-Treasurer.

MR. BROWN: In the period from January 1 to July 28, the receipts from contributions have totaled \$73,500.00. Other receipts from the sale of booklets on the national oil policy amounted to \$995.56. That is a total of \$74,495.56.

Our total disbursements in this period were \$41,181.33. We had a balance carried over from last year of \$30,273.94, making a total to account for of \$63,588.17.

Recently we purchased ten U. S. savings bonds at a cost of \$37,000, which we are temporarily treating as a reserve, leaving a balance in the bank of \$26,588.17.

CHAIRMAN HALLANAN: You have heard the report. Are there any comments or questions? If not, the report will be received and made a part of the record.

Gentlemen, at this time I desire to present to the Council the Acting Director of the Gas and Oil Division, Mr. Carroll Fentress.

MR. FENTRESS: As you all know, Mr. Friedman left us shortly after the last Council meeting. Your efforts were not quite good enough to keep him, much to our regret. He has joined one of the companies and is now located in San Francisco.

Since the last meeting, we have had a new addition to our staff, Mr. John Poulin. He is a graduate of the Colorado School of Mines, did graduate work in geology at Columbia, served for eleven years as an engineer and geologist for Sinclair in South America. He was with the Texas Petroleum Company for a number of years. He organized the United Geophysical Company of Venezuela and served as its Vice President. And he has been a consultant for the Superior Oil Company.

We feel very fortunate in having him join us to head our foreign branch. Would you stand, John? (Applause)

CHAIRMAN HALLANAN: Thank you, Mr. Fentress.

Mr. Vandever, are you ready to submit the report of the Committee on Petroleum Industry Manpower Survey?

MR. VANDEVEER: I am, Mr. Chairman.

At the last meeting, I gave an interim report of the progress of the Manpower Committee. There was some discussion as to what it covered, and finally the approval was given by the Council to proceed on the basis which we were following. This morning I shall also give a progress report,

and it is going to be brief, if you don't mind.

At the present time, the forms have all been printed, and they will start going out immediately. Probably some of them may be on your desks when you return. And I would like to say at this time that the chief executive of each of the companies in all phases of the industry will receive a copy of this report for his personal attention, with the hope that this survey will start from the top down, and it will only be with the assistance of the chief executive passing it on down that I think we will be able to get the report back by September 20th, the date by which we have asked for it.

I realize that this may be somewhat of a burden; we hope it won't be too much of a burden for each one of you executives and the executives in the entire industry to cooperate with us in this matter. I read a letter at the last Council meeting setting forth the basis of the program which we have prepared which we hope will be followed.

Mr. Chairman, that is my report, unless somebody has some questions to ask.

CHAIRMAN HALLANAN: Are there any questions, gentlemen?
(No response)

Anyway, Mr. Vandever, you report substantial progress?

MR. VANDEVEER: Substantial progress.

I would like to say, too, that the Council's office up here under Jim Brown's supervision has done a masterful job

in compiling all this information. Gentlemen, it is a tremendous job to cover every phase of the industry, and under Jim Brown's guidance a grand job has been done, and I can't resist mentioning it.

CHAIRMAN HALLANAN: At this time I would like to call for the report of the Agenda Committee. This is the first meeting since the organization of the Council that Mr. George Hill has been unable to attend. Unfortunately, due to some situations that became acute, he advised us that he would not be here for this meeting.

The Agenda Committee yesterday elected Mr. McCollum as Acting Chairman, and, Mr. McCollum, I recognize you at this time to present the report of the Agenda Committee.

MR. MCCOLLUM: Mr. Chairman, gentlemen: On June 14th of this year, the Chairman of the National Petroleum Council transmitted to the Agenda Committee a copy of a letter dated June 14, 1949, from the Honorable J. A. Krug, Secretary of the Interior, requesting the appointment of a committee by the National Petroleum Council to study, report and make recommendations with respect to (1) the problem of petroleum imports, and (2) the problem of providing a substantial domestic reserve productive capacity to be available in the event of an emergency. With this report which the Agenda Committee is submitting, there is attached the letter of Secretary Krug.

The Agenda Committee met yesterday at Council Headquarters to consider this problem, and after thorough discussion the following was unanimously adopted:

With respect to problem No. 1, the Agenda Committee recommends the appointment of a temporary committee to make a factual study of the matter of petroleum imports, including the effect thereof on the domestic industry, the domestic economy, and national security, and upon completion of its studies to report its findings to the Council for such action as the Council may deem appropriate. In view of the competitive aspects of the problem, the committee should not suggest plans or programs, but should confine its report to findings of fact.

On problem No. 2, the Agenda Committee recommends the appointment of a temporary committee to make a factual study of the problem of providing a substantial domestic reserve capacity to be available in the event of an emergency, with authority in such committee to appoint a legal advisory subcommittee, and upon completion of its studies to report its findings to the Council for such action as the Council may deem appropriate. In view of the competitive aspects of the problem, the committee should not suggest plans or programs, but should confine its report to findings of fact.

Mr. Chairman, we respectfully submit this report for consideration of the Council.

CHAIRMAN HALLANAN: Do you move its adoption?

MR. MCCOLLUM: Yes, sir.

CHAIRMAN HALLANAN: You have heard the report submitted by Mr. McCollum as Acting Chairman of the Agenda Committee. The report is now open for discussion. Are there any remarks? If not, the question is upon the adoption of the report of the Agenda Committee. All in favor indicate by saying "aye"; opposed "no." It is so ordered.

In view of the adoption of the report of the Agenda Committee, which calls for the appointment forthwith of two committees, I desire to suggest to Mr. Porter as Chairman of the Appointment Committee that he endeavor to arrange a meeting of the committee today to submit recommendations from that committee on appointment of these respective committees.

Gentlemen, I had hoped that we might be favored this morning with the presence of the Secretary of Defense, Colonel Louis Johnson, but unfortunately he finds it impossible to be here. But as his representative he has designated Admiral Biggs, who is here this morning. I would like to present him to the Council at this time and ask him to speak to us on any subject he thinks is proper. Admiral Biggs. (Applause)

ADMIRAL BIGGS: Mr. Chairman and gentlemen, the Secretary of Defense, unfortunately, couldn't be here. We had Mr. Barrows, the Under Secretary of the Air Force, lined up to

come, too, until about quarter of six last night, when he suddenly got yanked to Chicago or some other point in the Middle West in a big hurry, and the Executive Secretary of the Munitions Board Petroleum Committee, who I am at the moment, was designated also about that same time.

There is one thing that a number of the industry seem to be interested in, from what I read in the trade papers and by the telephone calls I receive from various representatives of those same trade papers, and that is the position of the late-lamented Armed Services Petroleum Board.

Now, it just so happens that the Armed Services Petroleum Board has been dissolved, abolished, otherwise thrown out the window, according to the headlines. It is very simple to explain that because it is a matter of reconstitution. Those headlines are very similar to the hackneyed story about the statistician who went out to a branch to send in the vital statistics of the place to his parent company. Being a statistician, he usually put things down in terms of percentages.

Well, there were two women cooks and fifty men employed by the company, and one of the men married one of the women. As a result, he reported officially to his boss that 2 per cent of the men had married 50 per cent of the women.

(Laughter) Now, mathematically that was absolutely true, but it certainly gave you a peculiar slant on the deal.

And that, gentlemen, is very much the state of the union as to the Armed Services Petroleum Board.

As far as my short association with petroleum on the consumption end in other places is concerned, it started out in 1943 when I was a logistics officer in the Pacific, and thanks to you gentlemen I didn't want for oil out there. My main problem was to make sure that after it was loaded in tankers and arrived in various and sundry spots, it be delivered usually at sea under way and sometimes under cover of darkness to the right fellow at the right time. I didn't have to worry much about it.

But I knew there was such a thing as an Army and Navy Petroleum Board, and I also had a vague idea there was a Petroleum Industry War Council somewhere around the house and a PAW. Those things were purely academic to me until I came back here in 1945 and found myself as a deputy executive officer of the Army and Navy Petroleum Board.

Then I began to find out a lot of things. One of them was that I had 37 million barrels of aviation gasoline and no Navy special. But we won't go into that; you know all about it.

Then I went to sea for a while in command of a cruiser and I had a position, not a job. But that lasted only nine months, and we landed back in the staff of the Commander, Service Force, Pacific Fleet, and we got back in the oil.

business again. For some sixteen months I was planning officer and then chief of staff, and then, as Admiral Carney put it, I got promoted out of a very nice position again and got a job and came back to Washington in the petroleum outfit.

I don't intend to bore you any further with this personal suffering and the growth a la Topsy of the petroleum activities vis-a-vis the industry and the military services. But I would like to read just a couple of things from Secretary Johnson's letter concerning this Munitions Board Petroleum Committee, of which, I repeat, I am now Executive Secretary.

It used to be that I was executive officer of a board; Bruce Brown was the chairman of a committee, the Military Petroleum Advisory Committee. And in order that we may get completely and thoroughly crossed, I am now the Secretary of the Committee and Bruce is Chairman of the Military Petroleum Advisory Board. So we are all square. (Laughter)

The Secretary of Defense stated to the Chairman of the Munitions Board:

a. A central agency for the coordination of all policy and planning matters relating to petroleum should be retained in the National Military Establishment and located within the Munitions Board.

b. The Armed Services Petroleum Board should be reconstituted as the Munitions Board Petroleum Committee to do

this job, on 15 May.

The broad functions and responsibilities of the Munitions Board Petroleum Committee would thenceforth be: (1) to facilitate service and interservice planning and coordination of effort in the field of policy and planning, relating to petroleum matters; and (2) to make recommendations and to perform such services, duties, and functions in petroleum matters as may be requested by any agency of the National Military Establishment.

That is very similar to the guy with the perverted sense of humor who wrote in to the military commission, saying, "Having special faith, confidence, and so forth, in so and so, I do hereby appoint him a colonel in the Air Force, and he shall do and perform all manner of things thereto pertaining." That, I believe, is this directive, also.

Now, it was further stated that the staff of the Munitions Board Petroleum Committee shall not be duplicated by the establishment of other staffs for petroleum planning in other agencies of the National Military Establishment.

I think, gentlemen, especially those of you who were present at the Military Petroleum Advisory Board's meeting, that our contacts with you are specifically directed by the Secretary of Defense. The Petroleum Committee is the industry contact with the Military Petroleum Advisory Board. Still, having served under six charters, I am doing exactly the same

thing I did before.

Now, I can assure you that one of the main reasons for this change is that we were considered slightly illegitimate, if there is such a condition, because we did not have a papa and a mama. Therefore, our paternity or maternity is obvious. We do have one of those now, and we also have direct contact with the Office of the Secretary of Defense, direct contact with industry, direct contact with all three services, with the Joint Chiefs of Staff, with the Research and Development Board, and we have policy coordination of the Armed Services Petroleum Purchase Agency, and if anyone in the room wishes to be middleman, there is a golden opportunity.

Thank you. (Applause)

CHAIRMAN HALLANAN: Gentlemen, I desire to present to the Council at this time Mr. Robert C. Turner, who is Chairman of the Interagency Working Committee on Synthetic Rubber Legislation and Special Adviser to the Steelman Committee of the White House. Mr. Turner.

MR. TURNER: Mr. Chairman and gentlemen, I think it is hardly necessary for me to outline to you the problems that we had in rubber during the war or to emphasize to you the strategic position of rubber in the event of a national emergency. Suffice it to say that we are dependent for sources of supply on areas that are very far from the United States, some 90 per cent of the world's rubber being produced in the

Far East. During the war those areas were cut off, and it is necessary to assume that in the event of another emergency they might also be cut off, and that it is therefore necessary that we be prepared to meet our own needs for natural rubber from either stockpiling or from domestic production in large part.

There is some natural rubber which is dependable in event of an emergency, but it is a very small amount. During the last war a very large synthetic rubber industry was built; it was built under very difficult circumstances and at considerable cost in terms of energy, manpower, materials, and so forth. With the end of the war, the Congress determined that that industry should not be allowed to go out of existence but that it should be continued and be available in the event of another emergency.

The controls on the consumption of synthetic rubber were continued under the Second War Powers Act until March of 1948, at which time the Second War Powers Act was repealed. At that time the Congress passed the so-called Rubber Act of 1948, which had the effect of first declaring that it is the policy of the United States that there shall be maintained at all times in the interest of security and the common defense, in addition to stockpiles of natural rubber, stockpiles of synthetic rubber.

The Act called for a technologically advanced and rapidly

expandable rubber-producing industry in the United States of sufficient productive capacity to assure the availability, in terms of national emergency, of adequate supplies of synthetic rubber to meet the essential civilian, military and naval needs of the country.

The Act authorized the maintenance of a total capacity of 600,000 tons of synthetic rubber suitable for use in tires and 64,000 tons of special-purpose synthetic rubbers. It further stipulated that a minimum of one third of those amounts should be retained in an active status, the balance to be put in stand-by. It also authorized the President to set minimum levels higher than those one third levels if he determined it to be necessary to national security and the common defense.

The President, through delegation of authority to the Secretary of Commerce, has determined that the security level should be higher than the levels stipulated in the Act.

The Rubber Act also authorizes the issuance of regulations on the consumption of synthetic rubber to assure the continued active operation of such level as the President determines to be necessary to the national defense, not less than 200,000 plus 65,000. *see next paragraph for correction*

The Act provides that the plants needed to maintain the total capacity of 600,000 tons and 65,000 tons-- By the way, I think I misspoke myself a minute ago. I said that the

President was given authority to issue regulations to maintain in active operation a capacity of 200,000 and 65,000. It is 200,000 and one third of 65,000.

The Act also provides that the President, acting through such agency as he may delegate, which is the RFC, may dispose of any plants not needed to maintain that total capacity of 600,000 tons of G.R.S. and 65,000 tons of special-purpose rubbers, but that the plants needed for that capacity may not be sold. Instead, it provides that the problem of disposal shall be studied and that prior to January 15, 1950, the President shall recommend to the Congress further legislation covering both the disposal program and such other matters as he may deem appropriate.

The President has therefore created, through Mr. Steelman, an interagency working committee to draft for the President's consideration a report on the synthetic rubber program containing recommendations covering the entire program.

This committee started to work a couple of weeks ago. I was brought in to act as chairman, and will be here only for the summer. The committee's first act was to draft a questionnaire, which was sent out to some 800 companies, and I believe every company represented in this room probably has one. Is that right, Carroll?

MR. FENTRESS: All the refining companies.

MR. TURNER: We are very anxious to get the very candid

and very frank views of industry on all aspects of this matter.

I could go into some detail as to some of the problems that confront us, but I don't think I had better take the time. Let me say this much, however. The one big question that we have got to answer is, how capable is synthetic rubber of standing on its own feet in a free competitive market as opposed to natural rubber?

In the case of butyl rubber, which is used for tubes, the engineers report that butyl rubber is superior to natural rubber in every respect, and yet there are still a lot of people who will insist on taking a natural rubber tube if they can get it. I found out a couple of days ago that the Executive Secretary of the National Security Council, who ought to know better, was offered the choice between a butyl rubber set of tubes and a natural rubber set of tubes for his car, and he took the natural rubber tubes; he thought they were better.

In the case of G.R.S., the superiority is not as clear. It has been definitely established that G.R.S. is superior to natural rubber in certain respects; in other respects it is not superior to natural rubber, and we are uncertain as to how G.R.S. would compete with natural rubber in a free competitive market.

Obviously, one very important point is price. If

natural rubber sells for more than synthetic, we have one situation; if it sells for a good deal less, we have quite a different one.

We want advice from industry on that. We want advice from industry, also, on the problem of how much capacity is needed in an active status in order to provide rapid expandability and in order to insure continued technological progress in the synthetic rubber industry.

We would like advice from industry on how the disposal program can be arranged so that it will achieve a free, competitive industry and so that it will in general accomplish the objectives of the Rubber Act of 1948. We would like the advice of industry as to what type of controls should be used if controls are to be used. If it is determined that it is necessary to have controls in order to keep alive the synthetic rubber industry, we would like the advice of industry as to what type of control should be employed.

I think I can perhaps close best by saying that this Interagency Committee is very anxious to have your views. We have elected to go direct to the companies concerned rather than through trade associations or existing government advisory committees because we want every person who is involved to have a chance to say his own say so and say it directly without having it be screened by any organization.

We want to get complete, full and frank opinions of

everybody who has anything he wants to say, and if anybody hasn't received a questionnaire and would like to get one, please let me know.

CHAIRMAN HALLANAN: Are there any questions, gentlemen, you desire to propound to Mr. Turner in connection with this proposed rubber program?

MR. WILSON: Is the butyl rubber considered one of the special rubbers?

MR. TURNER: It is the chief special-purpose rubber.

MR. WILSON: What is the approximate present level of production of the special-purpose and other rubbers?

MR. TURNER: The present level of production--I am not sure I can give you exact figures, but production of G.R.S., I believe, is running 300-odd thousand tons. Do you know, Carroll?

MR. FENTRESS: I would say 400,000 tons.

MR. TURNER: Butyl rubber has been running around 60,000 tons.

MR. WILSON: About half of the total consumption of the two together.

MR. TURNER: No, G.R.S. is running close to 400,000 tons, and butyl is running about 60,000 tons.

MR. WILSON: I say, that totals almost half of the total rubber consumption of the country.

MR. TURNER: The total is running about a million, so it

would be less than half.

MR. WILSON: The question in my mind when I received this questionnaire was whether the committee really wanted to know how this problem looked from the depths of a good deep fog, and I think that is the position a good many of us find ourselves in. There are a few companies that have had an active part in participating in the synthetic rubber program, but a good many of the companies here don't have much knowledge of the technical developments, what the new rubber means technically, and what the new industry problems are, and it is a question in my mind whether we can offer anything useful.

Now, that doesn't apply to some of the companies that have a share in running some of the industries, but it would seem to me that people who are simply interested bystanders but not involved in the production or use really couldn't add very much.

MR. TURNER: We realize that, and I imagine that a good many of the questionnaires we sent out will either not be replied to or else will come back with a reply saying, "We are sorry we aren't able to advise." But we didn't like to say ahead of time, "We think this company can give us good advice and that can't." We thought we would send it to all and let the companies themselves decide whether they are in a position to reply or not.

MR. WESCOAT: I think your committee should give consideration to the antitrust angles inherent in this

erate if the.
that you will have
immediately presents
ly in view of the
rubber companies that
it if the rubber com-
one of the big four
at the other three
want to buy its

situation, because after all the petroleum companies supply the product which produces butadiene. It in turn is one of the principal components of synthetic rubber.

Therefore, in order to do an effective job under private industry, it would be necessary to have a combination of rubber companies and oil companies and a fixed outlet and an agreement between them in relation to the take. So I imagine the Justice Department might have something to say about that.

MR. TURNER: Yes, the Justice Department is represented on the committee, and that is a very live problem on our agenda. I don't know the answer to it.

You are faced with this situation. If we are to have an active capacity of only 200,000 tons of G.R.S. and if the plants that are to be operated are to be operated at anywhere near capacity, which is where they ought to be if they are to operate efficiently, then that means only about four plants in operation. That you with an antitrust problem, particular fact that there are at least four large companies would each insist on having its own plant; that is, if a company owned a big plant, it seems probable it ought to own theirs. Goodyear vs. Firestone.

It is a difficult problem and I don't know the answer to it.

MR. WESCOAT: It is only one of many we have.

CHAIRMAN HALLANAN: Thank you very much, Mr. Turner, and we hope that from time to time as the opportunity presents itself you may keep us further informed.

MR. TURNER: Thank you. Mr. Fentress is on this committee and will try to answer any questions any of you may have on the question.

CHAIRMAN HALLANAN: Thank you very much.

Gentlemen, we are all familiar with the very constructive and far-reaching services that have been rendered by the Interstate Oil Compact Commission, made up of representatives of the various oil-producing states. I am happy to say to the Council that by invitation we have this morning with us Mr. Earl Foster, who has served long as Executive Secretary of the Interstate Oil Compact Commission, and I desire to present Mr. Earl Foster to the Council. We would be glad to have you say anything you like, Mr. Foster.

MR. FOSTER: Mr. Chairman and gentlemen, I have nothing to report. I came purely to observe and learn, but I want to express my personal appreciation and extend the greetings of Governor Carlson, our chairman, and the entire Compact Commission for the opportunity of being here as an observer. I assure you that we are anxious to cooperate in the field in

which we operate.

Thank you very much.

CHAIRMAN HALLANAN: Thank you, Mr. Foster.

We also have as our guest today, gentlemen, Mr. Ellis, who is Executive Director of the House Small Business Committee, which has been giving a good deal of time to study of the problems of the petroleum industry. I want to present Mr. Ellis to the Council. (Applause)

MR. ELLIS: I am not supposed to talk; I operate by questionnaire, as most of you know. (Laughter)

I am very happy to be here, and I am particularly interested in the report of your Agenda Committee. Since I am a fact finder and my committee draws the conclusions from what I find, I had better leave that conversation to them.

I would like to state, however, that as far as our staff is concerned, we intend to continue vigorously with our investigation of this problem of oil imports. Since we initially started, we have found that there are a lot of things to be taken into consideration, more than first met the eye of those of us who are laymen, as far as the petroleum is concerned. But we do intend to come up with an unbiased finding of facts that the members of the committee can use as they see fit.

Thank you very much, Mr. Chairman.

CHAIRMAN HALLANAN: Thank you very much.

I would like now to pass along to the report of Mr. Bruce Brown, Chairman of the Military Petroleum Advisory Board.

MR. BRUCE BROWN: Mr. Chairman and members of the Council: I can report that apparently we are getting along with the armed services. They feed us. Si Ruble, who was recently added to our board, has accepted the chairmanship of our production panel. Dr. DeGolyer requested to be relieved of the chairmanship, although he is continuing as a member of the board and as a member of the production panel.

There are a couple of points that may be of interest to you that I could mention from our meeting yesterday. The refiners would probably be interested in one of them; the others won't. A lot of you fellows have heard me talk about 100-octane for so many years that I am embarrassed. Yesterday we had a little report on 100-octane.

The armed services have asked the Aviation Fuels Committee of the Board to tell them the limits and bounds of availability and cost of different grades of 100-octane fuel, running all the way from grade 100 to grade 130, up to the highest grades that they have given consideration to up to now.

In order to appraise the qualities and quantities that could be produced, a group of men from Humble, Shell, Socony and Phillips worked a good many man-months. They had 181 variables to consider for the armed services in order to come

up with an answer for them, and finally they did come up with an answer which gave the figures and the approximate dollars and barrels per day of different grades of aviation fuel.

Now, the point of my story is that the most promising and probable set of circumstances that they brought up for consideration by the Air Forces would involve an expenditure of 800 million dollars for new facilities, which is exactly where we came in, just exactly a repetition of World War II.

The other thing is this. On fuel production, Secretary Krug, in his letter to Mr. Hallanan, which resulted in the report of the Agenda Committee this morning, refers to what is called by the Agenda Committee report "the problem of providing a substantial domestic reserve productive capacity to be available in the event of an emergency."

Mention is made of the authority of such committee to appoint a legal advisory subcommittee. In Secretary Krug's letter, he also says that this problem is referred to you. And that is right. I want to say how happy I am that the Council accepted that question. I hope they create a legal advisory subcommittee because to me, after a lot of hours of conversation with the board, it seems that the problem is mostly legal, not operating. The production engineers can tell you just exactly how to do it, but the problems are the problems that you meet in the state legislatures and the

national Congress and the Department of Justice.

So, if the Council committee can work out anything that will answer that question, the whole activity since 1945 will be well worth while, because strange as it may seem to you gentlemen who are struggling with surpluses, there are a lot of people around here who are worried as hell about fighting the next war and we still have to argue with them every time we come to town.

CHAIRMAN HALLANAN: I would like now to present to the Council Colonel Gotulla, Executive Officer of the Armed Services Petroleum Purchasing Agency. Colonel, we want to hear what your problems are today.

COLONEL GOTULLA: Mr. Hallanan, members of the Petroleum Council: I can't help but be just slightly surprised at Admiral Biggs referring to percentages in his remarks. Of course, it is all right for planning and staff agencies to do that, but I want to assure you that so far as the Purchasing Agency is concerned, the events of the past few weeks have indicated very definitely that we should avoid percentages. So, for any figures I give you, I will use simple fractions.

(Laughter)

Last April I gave you a thumbnail sketch of our contemplated procurement for the balance of the fiscal year; that is, the fiscal year that ended the 30th of June, and what we knew of the current fiscal year's requirements.

Now, during this intervening three months, those requirements have changed in a number of instances. Some have gone up; some have dropped. Surprisingly, the total bulk requirements of the military for the fiscal year 1950 have increased from 79 million barrels to about 97 million barrels, or about six million barrels more than our total was for the fiscal year 1949.

That comes about, I suspect, because of a slightly more accurate estimate that is possible now and also because there have been a few requirements tossed in for strategic stock purposes or emergency reserve levels in the continental United States.

In the aviation fuels, the total remains essentially the same as the figure I gave you last April; that is to say, about 26 million barrels. There has been a slight downward revision in the grade 15 requirement, with essentially a comparable increase in the grade 100 requirement.

So far as coverage is concerned, commitments from industry to meet our requirements, we are essentially covered in the aviation fuels, with the exception of some 600,000 barrels of grade 100, which I was informed yesterday we would probably be asking industry to supply on the U. S. Gulf Coast sometime within the next six weeks; that is, we will ask for bids on that quantity sometime within the next thirty days to six weeks. The rest of it is pretty well taken care of.

On the motor gasoline, that requirement has reflected the largest change. I indicated to you last April that our requirement for this year was between eight and nine million barrels. I find now that that has gone up to about thirteen million barrels, and I am talking about the entire year, not the six months; that is for the period ending 30 June 1950.

That again has been largely covered. We are shy in our total coverage about a million and a half barrels, but we are opening bids, I understand, this afternoon for a million and a quarter barrels, and I anticipate no difficulty in securing that volume of product.

On the distillates, the requirement was indicated to be between twelve and thirteen million barrels last April, which was a reduction in what we had forecast for the fiscal year 1949, and I am sorry to say that that anticipated reduction hasn't materialized as we now go into the fiscal year 1950. It is up to about seventeen million barrels now. That has been taken care of. We have commitments from industry for the major part of that.

On the major fuels, the requirement last April was indicated to be about 33 million barrels. In the fiscal year 1949 we required some 30 million barrels. Now the departments estimate that the total demand for heavy fuels, chiefly Navy special, will be of the order of 38 million barrels for this fiscal year. Again, all of our domestic

requirements, the requirements that we normally secure from the domestic companies in the United States and adjacent areas, have been met.

Now, the total figure of 97 million barrels that I gave you is, of course, exclusive of what we refer to as our regional contracts; that is, the requirements of the posts, camps and stations and the installations within the continental United States.

Now, we go out for those on a six-month basis, and the continental United States is divided into various regions, conforming roughly to the old Treasury Department procurement regions. Those requirements are phased for administrative purposes in our own shops, so we don't have the entire volume hit us each time. We try to have one hit us each month. For that reason it is difficult to say at any one time precisely what a six-month or year's requirement is for the continental United States.

However, if we take the quantities that are now under contract as of the 15th of July, for example, and assume that that is reasonably accurate for the half-year period, we come out with a total requirement for the six-month period of eight and a quarter million barrels.

Now, two and a quarter million barrels of this represent burner oils of the various grades from 1 to 6; the rest of it is pretty well scattered down over motor gasoline, distillates,

and so on.

We have opened bids on this eight and a quarter million barrels, and we have awarded contracts for roughly seven and a half million barrels, which leaves a relatively small part of the total for which we were unable to secure coverage. You will appreciate that that takes in different places. The Corps of Engineers may have a requirement for 5,000 gallons of gasoline delivered in some county in Mississippi at various points along the Mississippi River, and it is a little difficult here in Washington to obtain coverage on an item of that particular nature.

Now, on that basis, if we throw together the regional requirements--and I think most everyone is interested in determining what the total military demand will be--if we take the indicated bulk requirements of 97 million and we double the six-month requirements that we have computed on the post-camp-station level and throw that together--we have a total post, camp and station requirement of seventeen million barrels and the bulk requirement, largely for offshore purposes and for major storage installations in this country--we come up with 114 million barrels total military requirement for the fiscal year 1950, which represents currently our best guess on the problem.

Now, I would like to say that since the first of the year, as I indicated to you in April, we have had no difficulty

whatever in securing from you people the products that the military has needed. You have come through in fine style. I appreciate that at times perhaps your tempers have been slightly frayed with our changing requirements and the fact that we change our mind occasionally and say, "We don't want grade A 80-octane, but we must have grade C, and we should have had it yesterday." That is always annoying.

But despite those changes, I can't think of a single instance where we have been unable to secure the product in the volume and at the time when we needed it.

CHAIRMAN HALLANAN: In other words, to sum it up, Colonel, you see no reason to re-create Colonel Drake's committee for the moment?

COLONEL COTULLA: At the moment I believe that Colonel Drake can relax, and I see no necessity for reconstituting it.

CHAIRMAN HALLANAN: Are there any questions, gentlemen, that you desire to ask Colonel Cotulla?

MR. POGUE: Colonel, what was the corresponding figure for the previous fiscal year to compare with the 114 million barrels?

COLONEL COTULLA: The final bulk requirement figure was 92 million barrels. That is close to 97 this year.

Now, I can't give you the regional requirements. I assume they are approximately the same. Those don't vary too much because they are fixed installations within the United

States, but they are of the same order. And it could easily be that when we wind up fiscal year 1950 we will find ourselves having procured 92 million or 101 million. It will be of that same order, however.

CHAIRMAN HALLANAN: Thank you very much, Colonel.

Gentlemen, there has been a great deal of anxiety and concern as to the effect on the domestic oil industry of the operations of ECA. We have had the benefit in previous meetings of the discussions by Mr. Walter Levy of the Petroleum Branch of ECA, and I have asked him to come here again this morning to bring before you the matters which have developed in rather acute issue since our last meeting. I know that in his usual very sincere, effective and informative way he will present the story and prepare himself to answer any questions which you may desire to propound to him.

I have the pleasure of presenting Mr. Walter Levy of the ECA. Mr. Levy.

(Mr. Levy read his prepared address, "The Impact of The European Recovery Program on The American Oil Industry.")

MR. LEVY: I may perhaps add one personal remark. I have now, as you know, spent with ECA about one year, and I plan to resign from ECA during the next month. Unfortunately, Mr. Hoffman has not succeeded in persuading an industry man to accept this very desirable assignment in ECA.

I have agreed with Mr. Hoffman that I will be available

to him as consultant, but obviously the oil problems of ECA are too big and too important to be taken care of on a piecemeal or part-time basis. Important decisions have to be taken during the next year, and I need not tell you that it is most important that Mr. Hoffman find a competent industry man to head up ECA's petroleum work.

If such should not prove to be possible, I believe that our industry could not in all fairness complain later that ECA's operations are handled incompetently by certain government bureaucrats.

The policies that have been established by ECA on petroleum, I believe, if carried out firmly and successfully--and it is a big "if"--will permit future effective operation without seriously impairing the American oil industry. I have, as you know, tried my best to keep industry informed on what is happening in ECA concerning oil, and I have taken advantage of your patience and your indulgence to report to you at practically every one of your quarterly meetings during the last year.

I hope I haven't misused your hospitality, but I felt that in the administration of an oil program as big and as important as this one, it is actually the duty of the bureaucrat to keep industry informed on what is happening and to state as early as possible and as openly and frankly as possible what the problems are and what the implications of

ECA's actions might be on the American oil industry.

I have tried my best to live up to the small commitment, and I want to thank your Chairman and I want to thank the Council most sincerely for the opportunity they have given me to do so and for the consideration and cooperation I have received from your Chairman and the Council. (Applause)

CHAIRMAN HALLAHAN: Thank you very much, Mr. Levy. I know that I speak the sentiments of this Council in expressing our great confidence in you. Whatever our individual views may be as to the desirability of ECA and its operations, we all have a great feeling of trust in the administration that you have given to it, and it is with the greatest regret that we find it necessary for you to leave. We are sorry that we do not have someone immediately available to take the important position which you have filled, but you have rendered a great service to the country and to the industry, and we desire to express our personal thanks to you.

Gentlemen, I am very happy that the Secretary of Interior has found it possible to be with us on this occasion this morning. He has followed the activities of the Council with the keenest interest.

I think, Mr. Secretary, that the most convincing evidence of the sustained interest that the membership finds in the work of the Council is that, with this Washington temperature of 100 or 110, or whatever it may be, all the way from the

Atlantic to the Pacific the members of the Council have come to this meeting to indicate their desire to cooperate with you and with the government in the solution of the pending problems.

This morning it was very gratifying to be able to have the reports of the representatives of the armed services, to hear that their problems are no longer serious, that their demands have been fully met as far as petroleum requirements are concerned. And I think if nothing else were to be said as to the achievements of this Council, we do know that through our cooperative effort very serious shortages affecting the military supplies were gone over and met.

I know that you are interested in a number of problems, as indicated by your communications, and I am glad to be able to say to you that the Council has approved this morning by unanimous vote the appointment of committees to deal with the question of imports and the question of adequate petroleum supplies to meet any possible national emergency. That has been done by unanimous approval of this Council, and those committees will be appointed promptly and set to work on these important studies.

It is nice to have you here, and I knew that the Council would be delighted to hear you at this time. Secretary Krug.
(Applause)

SECRETARY KRUG: Thank you, Walter. I was going to say,

too, that I think it is a great testimonial to the value of the Council that you fellows are here in this beastly hot weather. I think most of you have been around here long enough to know that at least some seats in Washington are pretty hot even when the weather isn't hot, and it is for the principal reason of cooling them off a little bit that you gentlemen come down here to help regularly four times a year and frequently in between times.

I am very much pleased that the Council has agreed to undertake a study of those two very important questions. There are many others important, too, but frankly I think those are about the two toughest we have to cope with at the moment.

All I have to report this morning is I thought maybe some of you would like to know where this tide lands oil issue stands at the moment. I think you all know that at least a dozen bills are pending in the Congress pertaining to the matter, ranging from various bills that would quitclaim any federal government rights to the respective states, to the bill that the Administration recommended six months ago that would set up federal management of the tide lands under some kind of federal leasing arrangement.

It seems to be the concensus of opinion by the experts in Congress that without some unanimity of support, none of those bills will pass, and certainly if several of them pass they will be absolutely certain of veto by the President.

Sam Rayburn has been working valiantly trying to get some unanimity of support, and I am sorry to say that so far, while I think considerable progress has been made, no answer has been found to the 64-dollar question.

The state people have contended right straight through that they should manage the three-mile band, and in the case of Texas ten and a half miles, and the Administration has felt very strongly that it cannot yield what the Supreme Court has decided belongs to the federal government.

We have tried a number of counter-proposals that would soften some of the problems from the point of view of the states, but apparently none of them meet that issue. I do want to make it clear that in our proposals we have never tried to take away or bargain away whatever rights the states have. It has been our feeling that Louisiana and Texas and any other state should have the right to go through the courts and to the Supreme Court and have a determination made of what their rights might happen to be.

But even with that, the states have been reluctant to agree to any kind of management basis where the federal government can start leasing the area which the Supreme Court says belongs to Uncle Sam. I think that is unfortunate because it has created uncertainty all along the line.

I have made two visits myself to the Gulf Coast, and it disturbs me greatly to see a tremendous program, something

like 100 million dollars already invested, now hanging on uncertainty as to who in fact is going to lease those lands and have valid leases or voided leases as the case may be.

I have urged that we proceed to have hearings anyway, that we take the progress that Mr. Rayburn has made as a starting point, and that the issues that are still open be reviewed openly by the committee, that they solicit the views of you gentlemen who know a lot about the problem, and that they reach some determination. Whether that will be successful or not in this Congress is very hard to say at this time.

The Administration will do everything in its power to meet other problems of the states that are not involved in this question of giving up what the Supreme Court decided Uncle Sam has. And by that I mean I don't think it is any longer a question of state revenues. The very serious concern that the Gulf States have had that their revenues would be sadly diminished, I think, has been eased substantially, if not completely. I think ways and means can also be found to afford equal treatment in matters of conservation, taxation, and questions of that kind.

So, perhaps when the O'Mahoney committee starts hearings on the matter, we will have a lot of the underbrush out of the way and they will have the problem of deciding a division of the royalties and the problem of deciding what to do about management. I think this problem is of tremendous importance

to the industry and it is of tremendous importance to the state and federal governments, and I hope if those hearings are scheduled that you men who understand the problem will volunteer your advice and counsel to the committee, with the hope that we can come out with something that will permit proceeding with rapid development of those vital resources in the so-called tide lands.

I might say that all these proposals carry with them now a clear understanding that the states will own and control all of their inland waters, and the so-called coast line is being defined liberally enough to protect the harbors and beaches and shore facilities that the states might have or might be interested in.

That, in brief, is the condition today. If hearings are scheduled, we are hopeful that they will be within the next two weeks. And if any of you gentlemen have any ideas that you think might expedite a settlement of it, I think you ought to be sure that I get them and that Senator O'Mahoney and Speaker Rayburn get them.

I do hope that in the two studies that you are embarking on now, some of the knotty world-wide problems will come into clear focus, because from what Mr. Levy told us this morning, it is clear to me that our American oil situation is going to be from now on out considerably complicated by the development of oil elsewhere and by the shifting of markets that will come

from returning world recovery.

I would be glad to answer any questions any of you fellows might have on the tide lands matters or, for that matter, on anything else.

CHAIRMAN HALLANAN: Are there any questions, gentlemen?

MR. SHIELD: Mr. Krug, do I understand correctly that if we compromise on the tide lands we still have our day in court?

SECRETARY KRUG: Yes, sir, absolutely.

MR. SHIELD: I believe that is one point that most people in Texas do not understand.

SECRETARY KRUG: I noticed that from editorials that I saw in the papers. Apparently the feeling is pretty deep in both states that we are trying to compromise you out of your right to your day in court. That is not so. The Attorney General has said that the rights of Texas, Louisiana, or any other state to have its particular matter adjudicated in court won't be prejudiced in any way.

MR. SHIELD: I think it would be very helpful if we could get that spread to where people understand it.

CHAIRMAN HALLANAN: Are there any other questions, gentlemen?

MR. WILSON: I don't like to be technical, but you spoke several times about the Supreme Court deciding these lands belonged to the United States. I am not a lawyer, but I

thought they had avoided saying that.

SECRETARY KRUG: That is why I said "belonged to." That isn't a legal term, and I think it covers the waterfront.

CHAIRMAN HALLANAN: Well, they don't seem to have many questions to shoot at you, Mr. Secretary.

SECRETARY KRUG: I thought I would sit in and take in some more of the talks.

CHAIRMAN HALLANAN: Following the line of Mr. Levy's discussion, I want to present to the Council Mr. Francis McIntyre, Acting Director of the Office of International Trade. Mr. McIntyre.

MR. MCINTYRE: Gentlemen, the assignment of following both Walter Levy and the Secretary is more than I am up to. I can't begin to match the importance of the remarks and the interest of their content.

I have one thing in common with Mr. Levy, however. My resignation from government is even more imminent than his, and tomorrow is my last day. While no such loss to the government is represented by my departure as by his, I do feel an equal freedom to be expansive about bureaueracy in general and need for better trained industry representation and experience in government.

I should like, however, to supplement what Mr. Levy has said by pointing out that the Department of Commerce is in urgent need of one or two top petroleum men for work which it

has had to leave undone and inadequately done for a long time.

Perhaps what Walter and I ought to do is to find some of the good points about government service and cite them here in the hope that we could get some volunteers for this work, although our own examples are not the most constructive sort of propaganda, perhaps. I will cite one instance, however. A man who is now a colleague of Mr. Levy at ECA, Sam Anderson, was at the end of the war bidding good bye to his associates in the American Requirements Committee, and all of us were sorry to see Sam go. He carried on a tradition in that committee in its important work which had been established by the present Secretary of Interior. Sam was telling us that he was sorry, too, to leave, and the phrase he used in expressing that is worth remembering. He said, "Gentlemen, I have often paid six-sixty for seats farther back." (Laughter)

My responsibility in the Department of Commerce has been for the administration of export control. There was a period of time, with which you gentlemen are familiar and which really, impossible as it seems, was only a little over a year ago, when the situation in the domestic distribution of petroleum was sufficiently upset as to subject the industry and our office to enormous pressures for the sharpest kind of restraint on the international movement of petroleum.

The Department of Commerce resisted the pressures that were then placed upon it for the complete embargo of the

movement of petroleum, and the Department of Commerce does not find today a basis for embargoing the international movement of petroleum.

The export controls which remain on petroleum were placed there at a time when the availability of adequate supplies for domestic use was the primary consideration, and an appropriate distribution of the material to those points in the world where it was most needed was the next consideration.

Today the problem of adequate domestic supplies is not an immediate and pressing one. The only remaining basis for export controls over petroleum is the basis of national security. I realize that in the nature of the commodity the control of exports from the United States of petroleum products is of limited security significance. Nevertheless, I want to pay tribute to the perfectly magnificent way in which the petroleum industry has cooperated with the Department in this difficult administrative matter.

There has not been, to my knowledge, a single instance in which a responsible member of the petroleum industry has placed his company's personal advantage ahead of the alleged security benefits to be obtained from restriction of exports to certain destinations, however limited those security benefits might in fact be. I think this cooperation has been splendid. The Department would be remiss if it failed to take this opportunity to say to the industry how grateful it is

for that help.

The Department is, of course, today in receipt of much correspondence discussing the problem of petroleum imports. The proposals in this respect run the gamut of those with which you are familiar.

I should say the most common one is that the U. S. petroleum market be reserved exclusively for U. S. production and that foreign sources, however owned or controlled, should not have access to the U. S. as a distribution area.

The Department of Commerce recognizes that there may be at some time in the future a situation in the domestic petroleum industry requiring the imposition of control barriers on imports, but the Department is today keenly conscious of the disparity between the level of U. S. consumption on the one hand as a share of world consumption and the level of U. S. resources as a share of world resources. The Department is conversant with the continuing substantial level of U. S. production.

The Department is, fortunately for us--we have enough headaches without it--not directly concerned with the problem of production limitations in specific geographic areas. But taking all of these factors into consideration, the Department reaffirms its conviction that international trade should be as unfettered as the national situation will permit, and the Department does not, therefore, advocate at this time the

imposition of severe or drastic limitations on petroleum imports.

I leave this to my successor in International Trade. I am happy to announce for those of you who know him that Loring K. Macy, who has been Acting Director of our Commodities Division, is the new Assistant Director of International Trade. Mr. Macy is a very able man, and I am sure those of you who have occasion to deal with him will find his caliber of the highest.

I bequeath to him, with some misgivings as to the headaches which I know he will incur, the coping with these problems of control which remain far from settled, far from resolved. But I thought I ought to speak to you frankly of the Department's views as they are today, and I believe that I have summarized on this essential point the Department's position.

If there is any comment or question in which I could be helpful, I would be glad to try. Thank you very much for giving me this chance to speak briefly to you. I believe that is all I have to say. (Applause)

CHAIRMAN HALLANAN: Are there any questions?

SECRETARY KRUG: Francis, what is the picture on congressional inquiry into imports of petroleum?

MR. McINTYRE: Well, there has been a moderate inquiry. We have had relatively little question so far of that sort.

We have, of course, cooperated with Mr. Ellis of the staff of the House Small Business Committee, which has been conducting hearings in this field. And Mr. Ellis has obtained from our Office of International Trade staff a good deal of data as to imports and exports and other information that would be within the purview of the Department of Commerce.

But so far this matter, which is so important in the public discussion, has come to us mostly in inquiries from persons interested in the trade aspects of the problem directly and from the inquiries of the committee staff rather than from the usual congressional correspondence.

SECRETARY KRUG: That committee hasn't made any report yet?

MR. MCINTYRE: Not so far as I know.

CHAIRMAN HALLANAN: Thank you very much, Mr. McIntyre.

MR. JACOBSEN: Mr. Chairman, we didn't have a chance to ask Mr. Levy any questions. Would that be possible now?

CHAIRMAN HALLANAN: Mr. Levy, are you open again?

MR. LEVY: Yes, sir.

MR. JACOBSEN: I would like to ask what the status is of the matter of supplying drilling equipment and so on for foreign enterprises in the development of resources.

MR. LEVY: Up to now, the ECA has approved dollars for one Italian or Trieste refinery. That is the only project that has been approved up to now.

On the other hand, ECA has agreed in principle to an expansion of refining facilities in Europe up to a level of about 42 million barrels. The approved rate is 810,000 or 820,000 barrels a day.

The European countries themselves, I think, can go ahead and build up at the moment to about one million barrels a day. We have asked the old EEC, which was an organization of the European countries, to include in that capacity and to give first priority to all privately financed projects, acting on the assumption that if somebody else wants to spend his money for a development in Europe, we are not too keen to spend U. S. taxpayers' money.

Therefore, in the 42 million tons capacity to be constructed by 1952, as compared with 24 or 25 million tons now, we have about 8 or 10 million tons capacity which will be financed by private investment, new dollar investment, and ECA will finance only the difference between these 10 million tons privately financed and the 18 million to be approved.

As far as overseas developments are concerned, I should perhaps clarify what I said half an hour ago. We have taken the position that an expansion of production and refining facilities overseas is justifiable only to the extent that the output from those facilities can be sold in line with normal market expectations. Or to put it differently, if the British-Dutch oil industry would say, "Look here, we are

selling our oil for sterling world-wide, and everybody wants to buy oil for sterling, and in particular wants to buy oil for sterling if he can save dollars in that manner. Therefore, there is no overexpansion because we can sell whatever we produce."

We would take the attitude that if such markets for British oil can only be obtained by agreements a la Argentine, exclusive agreements which in fact for five years close a market to anything else but British oil, we would not consider that to be a legitimate market expansion because we feel we shouldn't add insult to injury if we can help it, or shouldn't use U. S. taxpayers' money to finance development projects which can only be justified on the basis of exclusive arrangements for the sale of output from those projects.

That is the over-all policy that we have established.

MR. JACOBSEN: How do you determine where the particular money goes that you might advance? Take the Argentine question, for instance. England could go through with the Argentine deal without building any new refineries because they already have enough refining capacity for that. Then if you finance the building of additional refineries, either overseas or in England, you can't say that this particular money went for that purpose.

MR. LEVY: We couldn't do that on this specific basis because at present we are engaged in discussions with the

British and the Dutch in which they present to us their overseas expansion program on an over-all basis from 1948 to 1953, and of course you can't evaluate such a program up to the last barrel.

But it should be pretty clear from a careful study of this program that as the output that the British plan to obtain by 1952 in terms of crude oil and refined product is more or less in line with the normal competitive position of the British or whether it presupposes an expansion of British sales in other markets which they didn't have before and which they could only obtain by making barter arrangements or making restrictive arrangements as they have done in Argentina; we will always have individual instances which we cannot protect ourselves against, and in that situation I tentatively indicated that it might be possible perhaps to work out a solution where American oil companies could sell to nonsterling areas for sterling, with a certain limitation on the use of the sterling which would remain in the hands of the companies.

This project is actually designed to take care of a situation like that in Argentina, but I would like to add again that this is a very complex, a very ticklish, a very difficult thing, and lots of things can go wrong and very few things go right. To leave these two key offices without competent men, I think, is something which is at least risky. It is a problem, and I think it leads right into the next point on the agenda.

MR. ROWAN: Are any of the ECA funds going into the building of pipelines or building of wells of production?

MR. LEVY: We have agreed to provide dollars for the expansion of production in Europe which is relatively unimportant from a world-wide point of view, but which is pretty important in a country like Austria or Holland. We have agreed to finance these projects.

As far as overseas projects are concerned, we haven't even considered any of those for financing.

MR. JACOBSEN: You said somewhere that you had financed a lot of dollar--

MR. LEVY: I will tell you what that was. The Strategic Material Branch of ECA has agreed to make a few experts on mineralogy available to the British government. This is really a strategic survey for minerals.

CHAIRMAN MALLANAN: Are there any other questions, gentlemen?

SECRETARY KRUG: Walter, I wonder if I could ask one. You said the objectives of the ECA for the long run are restoration of economic prosperity, breaking down these trade barriers. I think there is a growing concern on the part of a lot of us that the barriers are increasing rather than decreasing. Do you care to make any comment on that?

MR. LEVY: I think we all share your concern, and the experience during the last year was not too encouraging. As a

matter of fact, the present British crisis again brings us back exactly where we started from, or probably even a little bit before.

Therefore, again if I may say so, we feel it is very good and nice to talk about long-term goals, no restrictions, free convertibility of currency, but until this is achieved we may all lose our shirt. Therefore, this in itself and by itself would not do the trick, and more immediate means have to be taken.

On the other hand, there is a great tendency in Europe to trade in sterling blocs. We may well face a situation where there will be a dollar bloc, a very small one, and a sterling bloc, a very large one. And I think Mr. Hoffman is as keenly aware of this danger as any man and is fighting it as hard as he can.

Basically the problem, Mr. Secretary, is of course one of U. S. imports from Europe. We simply cannot sell more than we are willing to buy, or we have to subsidize somebody. It all comes down to that. When we face a situation where a country runs out of dollars, it is very hard to talk them into spending dollars they don't have.

CHAIRMAN HALLAHAN: Is there any further discussion, gentlemen?

MR. WESCOAT: Mr. Levy, do you think there is any chance of improvement in the British situation as you see it today?

MR. LEVY: That is a leading question. (Laughter)

I believe that the original British program which they submitted about a year ago indicated that in 1952 or 1953 Great Britain would probably be one of the few European countries which would be independent of dollar aid. One year later we have this British crisis.

In the original British program, for instance, oil played a very important role. In the event this country should ever become a very large importer of oil, I am sure that this will be a major factor in the British balance of payments. On the other hand, I don't believe that these imports will take place as long as we have sufficient oil at a reasonable price in our own country.

SECRETARY KRUG: Walter, what happened that changed the British picture so rapidly? It seems to me it was only six months ago that the British were boasting about their achievements. What happened?

MR. LEVY: The British embarrassed us greatly by boasting too much. But the story behind it is a twofold one. I think in the first instance exports to the United States have declined during the last four months very much. Nobody buys British cars any more and, in addition to that, very few people buy British shirts at \$10 a shirt. During a period of flush money these shirts were bought; they are not bought now. So, British exports of textiles have gone down very much.

An added factor was this talk of devaluation. You know, the newspapers here and officials have talked very freely about the British pound and how it would be devalued soon to \$3 or less. No businessman is buying things at the rate of \$4 a pound if some high government official tells him that a month later the pound may be worth \$3.

These two factors together, plus the fact that we ourselves in the States here have caught up with the pent-up demand and the fact that our industrial machinery can out-produce any other industrial machinery, have all combined to make the life of the British exporter as tough as that of the U. S. exporter.

MR. JACOBSEN: There is also a third factor, the increase in pound cost of British merchandise due to less output and higher wages and lack of productivity.

MR. LEVY: They are not competitive in any free market.

MR. JACOBSEN: The dollar cost goes up, and the effect of that is further accentuated by the overvaluation of the British pound.

MR. LEVY: Exactly. I talked to two major oil company executives the other day, and they told me they don't pay \$10 for a shirt, and if they don't do it, I wonder who else does.
(Laughter)

MR. WILSON: A little commentary on the British problem might amuse the Council. A man was asked to make a very

thorough investigation. He interviewed all the higher-ups, Sir Stafford and everyone, according to the story. When he finally got through, he got more and more discouraged, and told Sir Stafford he hadn't any advice for the Chancellor but that he did have a piece of personal advice he would like to give the King.

The Chancellor said he was the King's minister and thought he should get it. The man said, "Well, this is just a personal piece of advice for the King's ears only. He finally got the audience and went in and told the King that after thoroughly reviewing the crisis, the only suggestion he had to make was that he put Canada in his wife's name. (Laughter)

CHAIRMAN HALLANAN: Gentlemen, as we move down this agenda and come to the close, I am conscious of the fact that three of our members who activate our discussions here from meeting to meeting are not here today, namely, George Hill and Barney Majewski and Pete Jones.

We are coming down the home stretch here.

MR. JACOBSEN: With regard to Barney Majewski, I understand he is quite seriously ill. Would we do anything wrong by way of establishing precedent if we asked our Chairman to send him a telegram and say we miss him?

CHAIRMAN HALLANAN: It would certainly be nothing wrong.

MR. MEECE: Mr. Chairman, Barney is back on the job, but he has been very seriously ill.

CHAIRMAN HALLANAN: I will send him a telegram.

Now, before completing the agenda, I would like to ask the members to participate freely in this discussion. I don't want you to feel that we are limited here strictly to the agenda. Naturally, with the representatives of the various government departments appearing, we must make way for them, but I don't want that to have the effect of restricting a free discussion by the membership of the Council.

You are privileged to bring up any question that you want to at any time for the consideration of the Council, and if we desire to refer/^{it} to the Secretary for his consideration, that road is always open. I think there may be some misunderstanding as to the functions of the Council. We are not limited here to any discussion of any problem that can always be brought up, but it takes its course, if the Council so sees fit, and can be brought to the attention of the Secretary of the Interior or the Director of the Oil and Gas Division.

Now, for the general good of the order, if there are any problems, let's have this meeting completely free and open to any discussion. Let's be assured that there is no restriction to any subject matter at all.

Is there any matter under the heading of new business that you desire to invite discussion on at this time?

MR. R. BROWN: Mr. Chairman, there is a very serious

question on which there have already been two speeches made by agencies of government, and that is the import question. I have hesitated to bring it up because it has been submitted to a committee for study, and I don't think it is quite right to anticipate their study. I don't want it to be interpreted that I wholeheartedly agree with the two agencies of government in their viewpoint, and at the right time I expect to present our view.

CHAIRMAN HALLAHAN: Gentlemen, there was created a Committee on Personnel for Government Purposes, and you will recall at the last meeting the committee submitted a recommendation for the appointment of Mr. Robert Friedman as the Director of the Oil and Gas Division. That was your unanimous action and was passed along to the Secretary of the Interior. Well, subsequently Mr. Friedman found it necessary, by reason of other opportunities which we were advised about at the time, to resign and to engage in another field.

Now, this committee has been active in connection with this particular matter, and we have had two or three meetings, and for your information I may say that certain names have been recommended and submitted to the Secretary of the Interior for his consideration on this appointment.

At the time this committee was constituted, I don't think it was anticipated that we should go beyond that field, but in view of the remarks made by Mr. Levy, I do want to advise the

Council that we view with great importance the matter of his successor in the Petroleum Division of ECA, and whether or not we were originally constituted with that in view, we have attempted to seek out any suggestions as to competent and available people to recommend as Mr. Levy's successor. I think he has emphasized very properly here the great importance of having somebody of competency on that job. He has stood on the bridge and he knows what is on the horizon.

The committee will be very happy to have any suggestions from anybody as to any person that they think might fill the requirements of that important assignment.

MR. BRAKE: That would go for the Commerce Department, too.

CHAIRMAN HALLAHAN: I am chairman of that committee, and I would be very happy to receive any suggestions from any of the members of the Council.

Mr. Fentress, do you have anything to add?

MR. FENTRESS: I would like to first express Bob Friedman's thanks again for your vote of confidence in him last time, and to state for him the great difficulty he had in deciding whether to stay with the government, with your support, or to go out into industry, and he finally, after a very difficult decision, decided to leave the government.

Personally I would like to express my thanks to all you gentlemen for coming here today and for continuing the fine

support of the Division and the Department.

We realize we have given you two very difficult problems this time. That is one reason we haven't tossed a lot of others at you. I think if we can get assistance on these two very difficult problems, it will be a very great contribution to us. Thank you, gentlemen.

CHAIRMAN HALLAHAN: Mr. Secretary, do you have anything to say?

SECRETARY KRUG: I just have two other comments.

I think you gentlemen would be interested to know that our appropriation bill has been reported by the Senate committee, and we did all right on the money. We took a beating on some other things that are not of direct concern to you, but I think thanks to your help we have our oil and gas work pretty firmly established in the minds of the members of the Congress.

The other point I wanted to make was to reemphasize what the Chairman has said about the need for personnel. It is harder and harder to get and keep good men in the government, and I think you gentlemen who come from the larger organizations might well give some consideration to working out a plan where some of your bright younger men might spend a couple of years in the government at the right time in their development in your company.

I don't care how big your organization is; I think the

government is a wonderful training school. And while it might look like a short-term disadvantage to lose a fellow like that for two years, I think if you are considering him for an important position with the company later on, he could well afford to spend two years or at least one year in some government department knowing that end of the job.

If you don't get people with that kind of background, then you have to make the best of it with fellows who don't have any experience except that which they picked up in government jobs. The committee has been very helpful to me in trying to find a successor for Max Ball, and I hope by the time of your next meeting we will have him and will have him well established in his position.

Any ideas that any of you have will certainly be greatly appreciated by the committee and by me.

MR. HOLMAN: Mr. Secretary, I am glad you brought up that subject, because I am sure that industry as a whole wants to do whatever it can in helping government with the many problems they have. Also, the experience of my own company has been that what you said is true. We don't think a man loses anything in value to the company or to himself by some government service.

I would like to call this to your attention, and I am sure you are aware of it. I think you can do a lot in government circles toward having government take a little better attitude

toward this problem in the sense that even if we have employees that are willing to come and even if the government is willing to take them, there are certain limitations the government still has on people coming from industry.

It makes it very difficult. Now, in different departments it is difficult, as you know. Fortunately, in the Interior Department, I think it is easier than in some of the others. But there is a real problem in that, and I think if there could be some study on the part of government and industry made on a subject like that, it would be quite helpful.

Now, the Chamber is interested in this same subject, and so are N.A.M. and perhaps various other organizations. But I was particularly reminded of it because the new president of the N.A.M., a very energetic and able fellow and a very cooperative fellow who has great respect in business circles, talked with us a few days ago about this same matter, and I urged him to talk with government people about the technical difficulties that arose as a result of the rules that government had.

I think that at some high level in government, if you could give some authority, some authorized study of that should be made in connection with industry. It would help a great deal on a good many of these problems that come up from day to day.

MR. JACOBSEN: What are the hurdles?

MR. HOLMAN: Well, we can talk about a practical problem

we had just recently. I think that Mr. Levy here could tell you about it. A man comes to the government, an able fellow; he has to give up investments he has and he has to surrender rights he has in companies. From a government standpoint or an industry standpoint I don't think it amounts to anything, but from a political standpoint it is deemed wise to do that.

Now, you are just not going to get very able fellows. We actually had a man willing to accept this EGA job, but that thing came up. He was a very able fellow. I am sure he would have made an excellent successor, and he was willing to come, but there was the hurdle.

It is just unfair to ask a man like that to accept the job and give up certain investments he has. You just can't get men to do that. I don't know what the answer is, but I think that that is certainly one of the big hurdles we have to cross in order to get cooperation between government and industry.

CHAIRMAN HALLAHAN: Especially to get the competent men.

MR. HOLMAN: To get the competent men, yes.

SECRETARY KRUG: I think that is a good suggestion. You have brought up one that to me seems to be an almost insuperable problem. It is just one of the crosses that government people have to bear. When I came into the job of Secretary of the Interior, I gave up all my investments except one in a cotton mill. Now, what a cotton mill has to do with Interior I have

never found out, but I have taken constant and continual abuse about it. Thank God, I don't own any oil stocks.

CHAIRMAN HALLAHAN: I want to announce the appointment of two additional members of the Committee on Personnel, Mr. Rodgers and Colonel Drake. I desire to add them to the membership of the Committee on Personnel.

MR. WILSON: Mr. Chairman, you were inviting a discussion of industry problems. There is one problem I think we should all be aware of; some are, I am sure. I don't think it is anything the Council can act on without a committee report. It is not asking for any action except that we be aware of it and take it into account in any comments we make on the situation.

There is a very unfortunate delay, from the standpoint of the public, in the summer program of getting oil into dealers' and consumers' tanks. That may result in a false sense of security that we have plenty of oil even for a hard winter. We have to recognize that in all probability in this coming year we will have two major factors in increasing demand: first, an increase in the number of oil burners; and, second, we will be comparing an abnormally warm winter with a presumably normal winter in the year to come.

So, we do have a very substantial prospective demand, and even though it looks as though stocks are sufficient, when you begin estimating what is in consumers' tanks, you may find

that that entire surplus has evaporated, and with any continuation of present low runs, you might have some difficulty if we don't get the consumers to fill up those tanks so that we have room for more to take care of what might be a very large winter demand.

MR. R. BROWN: Mr. Chairman, I think he has raised a very serious question. I am looking at it from somewhat the political side, because my feeling is that we may be running into the same embarrassment we suffered in the winters of 1947 and 1948 when we had apparent shortages of oil.

I think it is something we ought to give a lot of thought to. I have tried to analyze it, and I am having difficulty. As far as I have been able to find out, the consumers are somewhat unwilling to go out and buy much of the products because of an anticipated declining market; they want to get the benefit of that. I don't know how widespread that is.

Another thing is that we misjudged what we needed to do about oil, and we brought in an awful lot of the heavy oils into this market from outside, particularly the burning oils, and that has rendered a lot of the domestic refiners incapable of operating on a sound basis, and they are closing down or cutting back their yields on that product because they can't get enough out of it to justify their operations.

That may mean that at the beginning of the winter we will find a shortage in burning oils, and as far as I have been

able to see, it is traceable to those two things largely. And I think we might suffer very seriously politically, because if somebody starts another shortage cry, it isn't one branch of the industry but the whole industry that is going to suffer.

CHAIRMAN HALLANAN: It is that very situation, Mr. Brown, which created the feeling that the federal government should step in and take over the oil industry.

MR. R. BROWN: That is right, and it could very well develop and develop very rapidly.

MR. GRAVES: It presents a problem as far as transportation is concerned, too, Mr. Chairman. That is really the acute problem we have. If the weather is unfavorable to transportation, you may find we will have trouble. That has given us considerable concern.

CHAIRMAN HALLANAN: Is it really the sense of the meeting that this suggestion should take some form of action by the Council?

MR. WILSON: We have published an advertisement in our area strongly urging summer fill and making the various arguments for it, and I think others can do that.

I think any other comments that are issued on statistics about stocks should take that into account. It is a difficult thing to be sure just how much less there is. You don't know how much more they have at the end of the winter, but they

have certainly put a lot less into storage than they did at the end of the year.

MR. DRAKE: You are giving them protection on the price, too.

MR. R. BROWN: That is true in certain places. There is a protection in price for larger users. It may be you are doing it but it isn't understood. I haven't found many that were conscious of it.

CHAIRMAN HALLANAN: I think it applies to all users.

MR. R. BROWN: I will tell you another thing, and this is going to hit right back in the middle of our face. In our anxiety to sell this heavy oil, we have gone into the coal industry and we have practically driven them off the Atlantic seaboard, and I suspect we are going to hear a lot of howling out of the coal people, and we may find a demand for an excess of heavy oil that we have had before without the ability to supply it.

MR. FENTRESS: Mr. Chairman, I would like to offer one comment. There have been several cases brought to our attention where the companies have offered the price protection to their direct customers. But there is also a big body of intermediate distributors who are not passing on that offering of price reduction.

I think there is a field there where the industry can encourage distributors to let their customers know they are

passing it on. I know of several individuals here in Washington who have not received any such notice from their distributors.

MR. R. BROWN: I know of one consumer that hasn't heard of it, too.

CHAIRMAN HALLANAN: It is a very threatening situation, in my judgment.

ADMIRAL BIGGS: Mr. Chairman, I might remark in passing that this particular situation has been a source of considerable worry in my shop, for the simple reason, as we view it, that if you rang even a warning bell way ahead somewhere and everybody suddenly rushed to fill up, particularly from the smaller bulk plants right down to the man who burns it in his house, we might find ourselves in a most beautiful mess, both from the standpoint of physical imminent supply as well as the snarl of transportation. It does have a slant in our direction.

CHAIRMAN HALLANAN: Is there any further discussion?

MR. FENTRESS: There is one other point, too, that I think you should be conversant with. We had a very excellent industry structure under the Council during the last period of "shortage." That was set up under Public Law 395, which expires at the end of September. There will be no such anti-trust protection at that time.

CHAIRMAN HALLAHAN: Gentlemen, the order of business has been completed. If there are no further matters to come before the Council, a motion to adjourn is in order.

(Upon a motion duly made and seconded, the meeting adjourned at 12:30 p.m.)
